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# ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS: FINANCING OF THE UNITED NATIONS PEACE-KEEPING OPERATIONS

## Establishment of a Peace-keeping Reserve Fund

## Report of the Secretary-General

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## I. INTRODUCTION

1. By resolution 47/217 of 23 December 1992, the General Assembly decided to establish under the authority of the Secretary-General, effective 1 January 1993, a Peace-keeping Reserve Fund as a cash-flow mechanism to ensure the rapid response of the Organization to the needs of peace-keeping operations. The Assembly decided that the level of the Peace-keeping Reserve Fund should be $150 million.

2. The General Assembly also decided, in subparagraph (f) of the same resolution, that the Fund shall be financed as follows:

> "(i) By the transfer of the balance of the excess of income over expenditures in the special accounts for the United Nations Transition Assistance Group and the United Nations Iran-Iraq Military Observer Group after the credits to Member States have been applied in accordance with General Assembly resolutions 45/265 of 17 May 1991 and 47/206 and 47/207 of 22 December 1992, based on the latest rates of apportionment applied for the Transition Assistance Group and the Military Observer Group;
>
> "(ii) By the transfer of whatever portion of the amount of 154,881,112 dollars retained in the General Fund pursuant to General Assembly resolution 42/216 A of 21 December 1987 is needed for each Member State to reach its fixed share of the Peace-keeping Reserve Fund based on the ad hoc apportionment set out in Assembly resolution 45/247;".

3. In subparagraph (j) of resolution 47/217, the General Assembly decided to address the issue of the imputation of interest income earned in the Peace-keeping Reserve Fund at the earliest opportunity during its forty-seventh session. In subparagraph (l), the Assembly requested the Secretary-General to report on actions taken to implement the resolution at the earliest opportunity during its forty-seventh session.

4. The Secretary-General, in a note of 24 February 1993 (A/47/898), informed the General Assembly inter alia that an initial amount of $59 million had been transferred from the United Nations Transition Authority Group (UNTAG) and the United Nations Iran-Iraq Military Observer Group (UNIIMOG) to the Fund, pending the closure of the accounts as at 31 December 1992, and that a further transfer of residual amounts would be made to the Peace-keeping Reserve Fund as soon as the special accounts of UNTAG and UNIIMOG were closed at 31 December 1992. However, the major portion of the remaining amount required to provide the full $150 million to fund the Peace-keeping Reserve Fund is to be financed from the amount retained pursuant to General Assembly resolution 42/216 A of 21 December 1987. In view of the substantial unpaid assessments owed to the regular budget, it was not expected that a cash contribution to the Peace-keeping Reserve Fund from the outstanding assessments would be available for some time. Upon receipt of these amounts, priority would be given to repaying amounts owed to the Special Account and the Working Capital Fund before payment could be made to the Peace-keeping Reserve Fund. The General Assembly was also informed at that time that amounts had been loaned to certain peace-keeping

operations from the Peace-keeping Reserve Fund to meet their temporary cash shortages. The Secretary-General informed the Assembly that a separate document indicating Member States' shares of the Peace-keeping Reserve Fund on the basis of the ad hoc apportionment as set out in General Assembly resolution 45/247 of 21 December 1990 would be issued at a later date.

5. At the resumed forty-seventh session, the Fifth Committee took note of the information provided by the Secretary-General on the establishment of a Peace-keeping Reserve Fund and requested him to report further on the implementation of resolution 47/217, through the Advisory Committee on Administrative and Budgetary Questions, taking into account the views expressed by Member States on the issue.

6. The present report to the General Assembly is submitted in accordance with the request of the Fifth Committee.

## II. STATUS OF THE FUND

7. The Peace-keeping Reserve Fund has been funded by transfers of balances from the Special Account for UNTAG ($47.0 million) and the Special Account for UNIIMOG ($17.2 million) upon closure of those accounts as at 31 December 1992. The Fund has also received a voluntary contribution of ($0.4 million) from the Government of Switzerland and interest income ($0.4 million). Included in the transfer from the Special Account for UNTAG is an amount of $3.4 million, which was requested to meet the shortfall in the programme for the repatriation of Namibians undertaken by the Office of the United Nations High Commissioner for Refugees. The shortfall was financed through voluntary contributions by the Governments of Sweden and Norway.

8. A summary status of the Peace-keeping Reserve Fund as at 31 October 1993, indicating a balance of $269,634, is presented in annex I.

9. It should be noted that the transfer of the fund balances from UNTAG and UNIIMOG ($64.2 million) into the Peace-keeping Reserve Fund represents approximately 43 per cent of the established level ($150 million) of the Fund. Owing to the persistent shortfalls in the receipt of assessed contributions to the regular budget, the General Fund has not been able to pay its share ($85.8 million) of the Peace-keeping Reserve Fund in accordance with subparagraph f (ii) of General Assembly resolution 47/217.

## III. UTILIZATION OF THE FUND

10. Annex II to the present report shows the utilization of the Peace-keeping Reserve Fund from its inception in January 1993 to 31 October 1993, as well as the end of month available cash balances. Most of the $64.2 million transferred into the Peace-keeping Reserve Fund has been used to meet the cash-flow needs of existing peace-keeping operations rather than for the start-up of new operations. The United Nations Iraq-Kuwait Observation Mission (UNIKOM), the United Nations Angola Verification Mission (UNAVEM), the United Nations Observer Mission in El Salvador (ONUSAL) and the United Nations Transitional Authority in Cambodia (UNTAC) have all suffered cash depletions during 1993 and with the

exception of UNIKOM they continue to experience serious financial difficulties. Apart from the loans made to the above-mentioned existing peace-keeping operations, some $0.1 million has been loaned to the United Nations Observer Mission Uganda-Rwanda (UNOMUR) for initial start-up costs.

11. As at 31 October 1993, outstanding contributions to current peace-keeping operations financed by assessment totalled $1,027.3 million. A summary of experience in 1993 to date, recorded by individual operation, is as follows:

| | Balance due 1 Jan. 1993 | Assessment in 1993 Period | Assessment in 1993 Amount | Collected in 1993 | Balance due 31 Oct. 1993 |
|---|---|---|---|---|---|
| | (Millions of United States dollars) | | | | |
| UNDOF | 19.1 | 12/92-11/93 | 34.9 | 31.4 | 22.6 |
| UNIFIL | 227.6 | 2/93-1/94 | 145.7 | 161.3 | 212.0 |
| UNAVEM I and II | 21.5 | 11/92-9/93 | 34.1 | 24.7 | 30.9 |
| UNIKOM | 23.0 | 11/92-10/93 | 47.7 | 44.3 | 26.4 |
| MINURSO | 20.9 | - | - | 0.5 | 20.4 |
| ONUSAL (including ONUCA) | 24.2 | 12/92-11/93 | 26.8 | 25.4 | 25.6 |
| UNTAC (including UNAMIC) | 165.5 | 11/92-7/93 | 633.1 | 567.9 | 230.7 |
| UNPROFOR | 60.2 | 10/92-9/93 | 806.7 | 651.9 | 215.0 |
| UNOSOM | 101.9 | 5/93-10/93 | 487.4 | 447.5 | 141.8 |
| ONUMOZ | - | 10/92-10/93 | 193.3 | 100.9 | 92.4 |
| UNFICYP | - | 6/93-12/93 | 8.5 | 2.2 | 6.3 |
| UNIIMOG | 1.0 | - | - | 0.1 a/ | 0.9 |
| UNTAG | 2.3 | - | - | 0.02 a/ | 2.3 |
| | 667.2 | | 2 418.2 | 2 058.1 | 1 027.3 |

a/ Includes credits from unencumbered balance.

12. The pattern of collection of peace-keeping assessments indicates that many Member States do not make systematic payments to each peace-keeping operation. As a result, cash requirements for a number of the ongoing peace-keeping operations have had to be met by borrowing from the resources available in the Peace-keeping Reserve Fund. This has resulted in the inability of the Fund to be used to provide basic start-up costs for newly established peace-keeping operations.

13. Recent peace-keeping operations have required substantial commitments in order to meet their start-up costs and immediate operational needs. The balance of $0.3 million in the Peace-keeping Reserve Fund is hardly sufficient to meet such costs. Hence the demand for timely and adequate financing of peace-keeping operations is of crucial importance.

## IV. OBSERVATIONS

14. In accordance with subparagraph f (ii) of General Assembly resolution 47/217, the balance required to fully fund the Peace-keeping Reserve Fund ($85.8 million) is to be derived from the payment of arrears to the regular budget. However, until sufficient regular budget arrears and current assessments are received to enable the Organization to replenish the Working Capital Fund ($100 million) and the Special Account ($140 million) and to provide for current regular budget requirements, there is no possibility to make this necessary transfer to the Peace-keeping Reserve Fund.

15. Current monthly expenses for peace-keeping operations amount to some $215 million. Even if the Peace-keeping Reserve Fund were to be fully funded to its established level of $150 million, it would not be sufficient to meet peace-keeping expenses for one month. Serious consideration should be given to reviewing the adequacy of its current established level. This issue was elaborated in the recent report of the Secretary-General on improving the financial situation of the United Nations (A/48/565 and Corr.1), which addressed the recommendations of the Independent Advisory Group on United Nations Financing. Specifically, paragraph 38 of that report referred to recommendation 14 of the Independent Advisory Group (A/48/460, para. 74), which stated that "the United Nations should establish a much larger revolving fund, set at $400 million, financed by three annual assessments".

16. With regard to subparagraph (j) of resolution 47/217, on the issue of the imputation of interest income earned in the Peace-keeping Reserve Fund, no action is being proposed in light of the views expressed at the forty-seventh session that such action should be addressed by Member States.

17. As required by subparagraph (k) of resolution 47/217, the Fund is being administered in accordance with the Financial Regulations and Rules of the United Nations, without prejudice to the funding of the activities of the regular budget.

18. Member States' shares of the Peace-keeping Reserve Fund will be established shortly.

ANNEX I

Summary status of the Peace-keeping Reserve Fund
as at 31 October 1993

(United States dollars)

| | | | |
|---|---|---|---|
| Authorized level of the Fund | | | 150 000 000 |
| (a) Transfers to the Fund pursuant to General Assembly resolution 47/217, subpara. (f) (i) | | | |
| i. From UNTAG | | | |
| | 28 February 1993 | 42 000 000 | |
| | 12 May 1993 | 4 959 222 | 46 959 222 |
| ii. From UNIIMOG | | | |
| | 28 February 1993 | 17 000 000 | |
| | 10 May 1993 | 240 369 | 17 240 369 |
| (b) Interest income | | | |
| Interest income earned to date | | | 397 006 |
| (c) Voluntary contribution a/ | | | 351 989 |
| Total receipts (a) + (b) + (c) | | | 64 948 586 |
| (d) Outstanding loans to peace-keeping operations | | | |
| ONUSAL | | 6 000 000 | |
| UNAVEM | | 21 672 400 | |
| UNTAC | | 36 900 000 | |
| UNOMUR | | 106 552 | |
| Total loans | | | 64 678 952 |
| AVAILABLE BALANCE (a) + (b) + (c) - (d) | | | 269 634 |

a/ Voluntary contribution from Switzerland.

ANNEX II

Utilization of the Peace-keeping Reserve Fund
from 1 January to 31 October 1993

(Millions of United States dollars)

| | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. |
|---|---|---|---|---|---|---|---|---|---|
| Receipts | 59.0 | 59.0 | 59.0 | 64.4 | 64.4 | 64.5 | 64.6 | 64.6 | 65.0 |
| Loans outstanding | | | | | | | | | |
| ONUSAL | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 6.0 | 6.0 |
| UNIKOM | 12.0 | 12.0 | 12.0 | 5.0 | 5.0 | - | - | - | - |
| UNAVEM | 15.9 | 15.9 | 15.9 | 15.9 | 18.5 | 21.7 | 21.7 | 21.7 | 21.7 |
| UNTAC | | - | - | 31.4 (31.4) | - | 10.0 | 32.0 | 32.0 | 36.9 |
| UNPROFOR | - | - | - | - | - | - | - | 4.9 (4.9) | - |
| UNOMUR | - | - | - | - | - | - | - | - | 0.1 |
| Total loans outstanding | 32.9 | 32.9 | 32.9 | 25.9 | 28.5 | 36.7 | 58.7 | 59.7 | 64.7 |
| Available balance (excluding funds earmarked and not released) | 26.1 | 26.1 | 26.1 | 38.5 | 35.9 | 27.8 | 5.9 | 4.9 | 0.3 |

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